GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:6862
ANSWERED ON:09.05.2003
NEW TRADING SYSTEM
AMBATI BRAHMANAIAH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the SEBI has introduced a new trading system on the stock exchanges;

(b) if so, the details thereof;

(c) the advantage of this new system;

(d) whether the new system will avoid the need of actual physical settlements of share transfers; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a): The Securities and Exchange Board of India (SEBI) has intimated thatit has not introduced any new trading system on the stock exchanges. However, the settlement cycle has been shortened from T+3 to T+2 w.e.f. April 01, 2003.

(b): The Settlement cycle has been shortened from T+3 to T+2 w.e.f.April 01, 2003 which means that the trades done on T (Trade) Day will be settled on T+2 day. For e.g. if the trade has taken place on Monday, the settlement would be done on Wednesday. If the trade happens on Tuesday, the settlement would be done on Thursday.

(c): A shorter settlement cycle significantly reduces settlement risk and increases flexibility of trading and investing. Further, market risk management becomes far more efficacious at shorter settlement cycle.

(d): In a phased manner, SEBI has introduced dematerialisation of shareswhereby shares are now been settled in demat form. However, an additional trading window is opened for small investors to sell physical shares (which are in compulsory demat list) not exceeding 500 shares in number, irrespective of their value.

(e): The additional trading window provides the facility for small investors to sell physical shares (which are in compulsory demat list) not exceeding 500 shares in number, irrespective of their value. This facility is available only to registered holders of shares. Further, the buyers of the shares are not permitted to re-introduce the shares in the market in the physical form.